

**REPORT OF THE AUDIT OF THE  
PERRY COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
[www.kyauditor.net](http://www.kyauditor.net)

144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2002**

The Auditor of Public Accounts has completed the Perry County Fiscal Court audit for fiscal year ended June 30, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances increased by \$989,668 from the beginning of the year, resulting in a cash surplus of \$6,877,955 as of June 30, 2002.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2002, was \$13,155,000. Future collections of \$20,525,144 are needed over the next 21 years to pay all bonded debt principal and interest.

Capital lease principal agreements totaled \$4,073,756 as of June 30, 2002. Future principal and interest payments of \$6,391,312 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity balances arising from cash transactions of Perry County, Kentucky, as of June 30, 2002, and the statement of cash receipts, cash disbursements, and changes in cash balances, and the related statement of cash flows for the year then ended. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002, of Perry County, Kentucky, and the revenues received and expenditures paid, and the cash flows of its Enterprise Fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2003, on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Perry County, Kentucky. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -  
February 13, 2003



PERRY COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2002

**Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Adam J. Hamblin	Magistrate
Gary W. Baker	Magistrate
Johnny C. Blair	Magistrate

**Other Elected Officials:**

Tiden Lanny Combs	County Attorney
McClee Feltner	Jailer
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
John Les Burgett	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard, Jr.	Coroner

**Appointed Personnel:**

Velma Kay Spicer	County Treasurer
Cecilia Ritchie	Finance Officer
Joyce Napier	Finance Officer



STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 453,804	\$ 152,218	\$	\$
Notes Receivable (Note 4)		1,000,000		3,413,667
Restricted Cash-				
Retirement Revolving Account	\$ 25,038			
Capital Projects Construction			5,766,424	
Public Properties Corporation				497,677
Total Assets	<u>\$ 478,842</u>	<u>\$ 1,152,218</u>	<u>\$ 5,766,424</u>	<u>\$ 3,911,344</u>
<u>Other Resources</u>				
Amounts to Be Provided In Future Years For:				
Bond Payments (Note 6)				\$ 12,739,812
Capital Leases (Note 7)	\$ 143,756			3,864,517
Total Other Resources	<u>\$ 143,756</u>	<u>\$</u>	<u>\$</u>	<u>\$ 16,604,329</u>
Total Assets and Other Resources	<u>\$ 622,598</u>	<u>\$ 1,152,218</u>	<u>\$ 5,766,424</u>	<u>\$ 20,515,673</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

Proprietary Fund Type	Totals (Memorandum Only) Reporting Entity
<u>Enterprise</u>	
\$ 7,832	\$ 613,854
	4,413,667
	25,038
	5,766,424
	<u>497,677</u>
<u>\$ 7,832</u>	<u>\$ 11,316,660</u>
	\$ 12,739,812
	<u>4,008,273</u>
<u>\$</u>	<u>\$ 16,748,085</u>
<u>\$ 7,832</u>	<u>\$ 28,064,745</u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Leases:				
Voting Machines (Note 7A)	\$ 52,000	\$	\$	\$
GMC Trucks (Note 7B)	40,934			
Caterpillar Backhoe Loader (Note 7C)	50,822			
Kentucky Area Development District Financing Trust (Note 7D)				1,680,000
Perry County Judicial Center (Note 7E)				2,250,000
Bonds:				
Refunding and Improvement Bond (Note 6A)				800,000
Perry County Detention Center Bond (Note 6B)				6,115,000
Perry County Judicial Center Bond (Note 6C)				6,240,000
Deferred Revenue (Note 4)		1,000,000		3,413,667
Retirement Revolving Account	25,038			
Total Liabilities	\$ 168,794	\$ 1,000,000	\$	\$ 20,498,667
<u>Equity</u>				
Fund Balances:				
Reserved	\$	\$ 152,218	\$ 5,766,424	\$ 17,006
Unreserved	453,804			
Total Equity	\$ 453,804	\$ 152,218	\$ 5,766,424	\$ 17,006
Total Liabilities and Equity	\$ 622,598	\$ 1,152,218	\$ 5,766,424	\$ 20,515,673

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
ARISING FROM CASH TRANSACTIONS  
June 30, 2002  
(Continued)

<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only) Reporting Entity</u>
<u>Enterprise</u>	
\$	\$ 52,000 40,934 50,822
	1,680,000 2,250,000
	800,000
	6,115,000
	6,240,000 4,413,667 25,038
<u>\$</u>	<u>\$ 21,667,461</u>
<u>\$ 7,832</u>	<u>5,943,480 453,804</u>
<u>\$ 7,832</u>	<u>\$ 6,397,284</u>
<u><u>\$ 7,832</u></u>	<u><u>\$ 28,064,745</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2002

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 12,681,200	\$ 1,818,971	\$ 1,342,893	\$ 363,349
Other Financing Sources:				
Receipts - Jail Canteen	100,379			
Transfers In	3,525,507	267,221	150,000	668,515
Bond Proceeds	11,687,137			
Total Cash Receipts	<u>\$ 27,994,223</u>	<u>\$ 2,086,192</u>	<u>\$ 1,492,893</u>	<u>\$ 1,031,864</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 12,687,710	\$ 1,567,279	\$ 1,251,883	\$ 896,461
Other Financing Uses:				
Schedule of Capital Project Expenditures	3,427,291			
Expenditures - Jail Canteen	92,915			
Transfers Out	3,525,507	635,000	267,221	113,515
Bonds:				
Principal Paid	6,415,000			
Interest Paid	532,457			
Cost of Issuance Fees	75,137			
Capital Lease Payments	248,538	24,000	28,113	
Total Cash Disbursements	<u>\$ 27,004,555</u>	<u>\$ 2,226,279</u>	<u>\$ 1,547,217</u>	<u>\$ 1,009,976</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 989,668	\$ (140,087)	\$ (54,324)	\$ 21,888
Cash Balance - July 1, 2001 Restated (Note 10)	<u>5,888,287</u>	<u>313,701</u>	<u>179,289</u>	<u>14,899</u>
Cash Balance - June 30, 2002	<u><u>\$ 6,877,955</u></u>	<u><u>\$ 173,614</u></u>	<u><u>\$ 124,965</u></u>	<u><u>\$ 36,787</u></u>

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	E-911 Fund	Forestry Fund	Area Development Fund	Perry County Coal Severance Projects Fund	Local Government Economic Development Fund
\$ 1,828,824	\$ 380,160	\$ 4,016	\$ 49,733	\$ 1,356,675	\$ 4,000,000
\$ 1,828,824	\$ 380,160	\$ 4,016	\$ 49,733	\$ 1,356,675	\$ 4,000,000
\$ 1,595,772	\$ 356,708	\$ 3,949	\$ 44,074	\$ 1,907,136	\$ 4,000,000
614,046					
35,785					
\$ 2,245,603	\$ 356,708	\$ 3,949	\$ 44,074	\$ 1,907,136	\$ 4,000,000
\$ (416,779)	\$ 23,452	\$ 67	\$ 5,659	\$ (550,461)	\$ 0
535,217	34,614	6,643	6	627,636	
\$ 118,438	\$ 58,066	\$ 6,710	\$ 5,665	\$ 77,175	\$ 0

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

	Special Revenue Fund Type		
		Perry County Emergency Planning Committee Fee Account Fund	Community Development Block Grant Buckhorn Water Project Fund
<u>Cash Receipts</u>	<u>FEMA Fund</u>		
Schedule of Operating Revenue	\$	\$ 1,576	\$ 8,053
Other Financing Sources:			
Receipts - Jail Canteen			
Transfers In			
Bond Proceeds			
Total Cash Receipts	\$	\$ 1,576	\$ 8,053
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$	\$ 1,100	\$ 11,220
Other Financing Uses:			
Schedule of Capital Project Expenditures			
Expenditures - Jail Canteen			
Transfers Out			
Bonds:			
Principal Paid			
Interest Paid			
Cost of Issuance Fees			
Capital Lease Payments			
Total Cash Disbursements	\$ 0	\$ 1,100	\$ 11,220
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 476	\$ (3,167)
Cash Balance - July 1, 2001 Restated (Note 10)	1,531	1,155	4,606
Cash Balance - June 30, 2002	\$ 1,531	\$ 1,631	\$ 1,439

The accompanying notes are an integral part of the financial statements.

PERRY COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2002  
(Continued)

Special Revenue Fund Type	Capital Projects Fund Type		Debt Service Fund Type		Enterprise Fund Type
Community Development Block Grant Krypton/Yerkes/ Willard Water Expansion Project Fund	Jail Construction Fund	Judicial Center Construction Fund	KREDA Fund	Public Properties Corporation Fund	Jail Canteen Fund
\$ 1,052,129	\$ 33,527	\$ 148,141	\$ 160,415	\$ 132,738	\$
	746,159	5,777,837		1,693,612	100,379
				5,909,300	
\$ 1,052,129	\$ 779,686	\$ 5,925,978	\$ 160,415	\$ 7,735,650	\$ 100,379
\$ 1,052,128		\$	\$	\$	\$
	2,434,944	992,347			
	809,472	340,094		746,159	92,915
		61,404		6,415,000	
				471,053	
				75,137	
			160,640		
\$ 1,052,128	\$ 3,244,416	\$ 1,393,845	\$ 160,640	\$ 7,707,349	\$ 92,915
\$ 1	\$ (2,464,730)	\$ 4,532,133	\$ (225)	\$ 28,301	\$ 7,464
	2,564,185	1,134,836	82,714	386,887	368
\$ 1	\$ 99,455	\$ 5,666,969	\$ 82,489	\$ 415,188	\$ 7,832

The accompanying notes are an integral part of the financial statements.



STATEMENT OF CASH FLOWS-  
PROPRIETARY FUND TYPES





PERRY COUNTY  
STATEMENT OF CASH  
FLows-PROPRIETARY FUND TYPES

For The Fiscal Year Ended June 30, 2002

	<u>Enterprise Fund</u>
	<u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Cash Received From Inmate Sales	\$ 100,379
Payments to Suppliers	<u>(92,915)</u>
Net Cash Provided By Operating Activities	\$ 7,464
Cash and Cash Equivalents - Beginning	<u>368</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 7,832</u></u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2002

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Perry County Public Properties Corporation and the Perry County Judicial Center Construction Corporation Funds as part of the reporting entity.

The Perry County Public Properties Corporation and the Perry County Judicial Center Construction Corporation are legally separate entities established to provide long-term debt service for the Fiscal Court. The Corporations' governing bodies consist entirely of Fiscal Court members. Therefore, management must include the Corporations as component units, and the Corporations' financial activities are blended with that of the Fiscal Court.

Additional - Perry County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Perry County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Perry County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Perry County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund (LGEA).

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Perry County Special Revenue Fund Type includes the following county funds: E-911 Fund, Forestry Fund, Area Development Fund, Perry County Coal Severance Projects Fund, Local Government Economic Development Fund, FEMA Fund, Perry County Emergency Planning Committee Fee Account Fund, Community Development Block Grant Buckhorn Water Project Fund, and Community Development Block Grant Krypton/Yerkes/Willard Water Expansion Project Fund.

3) Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Jail Construction Fund and the Judicial Center Construction Fund of the Fiscal Court are reported as Capital Projects Fund Types.

4) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund and KREDA Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

5) Proprietary Fund Type

The Proprietary Fund Type is an Enterprise Fund used to report an activity for which a fee is charged to external users for goods or services. The Perry County Proprietary Fund Type includes the jail canteen account, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Perry County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2002, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

A) Economic Development Block Grant Receivable

The county loaned \$ 1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with zero percent interest. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2002. As of June 30, 2002, the principal balance due was \$500,000.

PERRY COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2002  
 (Continued)

Note 4. Receivables (Continued)

B) Multi-County Economic Development Block Grant Receivable

The county loaned another \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2002. As of June 30, 2002, the principal balance due was \$500,000.

C) Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994, for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight-percent interest rate. Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2002, the principal balance due was \$3,413,667.

Note 5. Operating Leases

On June 24, 2002, the county entered into a lease-purchase agreement with New Holland Credit for the purchase of a tractor and mower. Terms of the agreement call for 48 monthly payments ending on May 20, 2006. The principal balance at June 30, 2002, was \$45,795.

Note 6. Long-Term Debt

A) Public Properties Refunding and Improvement Bond

On September 1, 1993, the Perry County Public Properties Corporation issued a public project refunding and improvement bond. Principal is payable annually on March 1 and interest is payable semiannually on March 1 and September 1. As of June 30, 2002, the principal balance outstanding was \$800,000. Debt service requirements for fiscal years ending June 30, 2003 and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 45,000	\$ 390,000
2004	<u>23,063</u>	<u>410,000</u>
Totals	<u>\$ 68,063</u>	<u>\$ 800,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 6. Long-Term Debt (Continued)

B) Perry County Detention Center Bond

In December 2001, the Perry County Fiscal Court issued \$6,115,000 in General Obligation Public Project Bonds to provide long-term financing the Perry County Detention Center. The proceeds were used to pay off three bond anticipation notes, which were used for the construction of the Perry County Detention Center. These bonds are scheduled to mature in June 2023 and have a variable interest rate of 2.0 to 5.0%. Semiannual interest payments are required in June and December and the principal amount is due each December. As of June 30, 2002, the principal balance outstanding was \$6,115,000. Debt service requirements for fiscal years ending June 30, 2003 and thereafter are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2003	\$ 272,153	\$ 145,000
2004	268,827	150,000
2005	264,628	155,000
2006	259,745	155,000
2007	254,217	165,000
2008 - 2012	1,167,858	920,000
2013 - 2017	945,798	1,140,000
2018 - 2022	642,933	1,440,000
2023	239,375	1,845,000
Totals	<u>\$ 4,315,534</u>	<u>\$ 6,115,000</u>

C) Perry County Judicial Center Bond (Phase 2)

In April 2002, the Perry County Judicial Center Corporation issued bonds in order to construct the Perry County Judicial Center. On the same day, the Perry County Judicial Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for the AOC at the Judicial Center.

The Perry County Judicial Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as agents for the Administrative Office of the Courts in order to plan, design, construct, manage and maintain the Judicial Building. The Perry County Judicial Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Judicial Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable each year. The Perry County Judicial Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

Note 6. Long-Term Debt (Continued)

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

C) Perry County Judicial Center Bond (Phase 2) (Continued)

The use allowance payment commences with occupancy of the Judicial Building by the Administrative Office of the Courts. The Administrative Office of the Courts with the execution of the lease has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the lease does not legally obligate the Administrative Office of Courts to do so. As of June 30, 2002, the principal balance outstanding was \$6,240,000. The following represents debt service requirements:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 255,808	
2004	253,926	215,000
2005	249,405	220,000
2006	243,503	225,000
2007	236,539	235,000
2008 - 2012	1,046,832	1,300,000
2013 - 2017	753,682	1,590,000
2018 - 2022	351,115	1,995,000
2023	10,925	460,000
Totals	<u>\$ 3,401,735</u>	<u>\$ 6,240,000</u>

Note 7. Capital Leases

- A) On December 22, 1994, the county entered into a lease agreement with the Kentucky Association of Counties for the purchase of voting machines. Terms of the agreement stipulate a ten-year repayment schedule with variable monthly interest payments and variable annual principal payments. As of June 30, 2002, the principal balance outstanding was \$52,000. Debt service requirements for fiscal years ending June 30, 2003, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,912	\$ 25,000
2004	1,103	27,000
Totals	<u>\$ 4,015</u>	<u>\$ 52,000</u>



PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 7. Capital Leases (Continued)

- B) On June 13, 2000, the county entered into a lease agreement with Kentucky Association of Counties for the purchase of three GMC trucks. Terms of the lease agreement stipulate a 5-year repayment schedule with semiannual interest payments and annual principal payments. As of June 30, 2002, the principal balance outstanding was \$40,934. Debt service requirements for fiscal years ending June 30, 2003 and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 1,573	\$ 19,982
2004	543	20,952
Totals	<u>\$ 2,116</u>	<u>\$ 40,934</u>

- C) In September 2001, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with semiannual interest payments and annual principal payments. As of June 30, 2002, the principal balance outstanding was \$50,782. Debt service requirements for fiscal years ending June 30, 2003 and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 2,402	\$ 11,196
2004	1,794	11,804
2005	1,153	12,445
2006	477	13,121
2007	13	2,256
Totals	<u>\$ 5,839</u>	<u>\$ 50,822</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 7. Capital Leases (Continued)

- D) On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. As of June 30, 2002, the principal balance outstanding was \$1,680,000. Debt service requirements for fiscal years ending June 30, 2003, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 92,118	\$ 70,000
2004	88,863	70,000
2005	85,257	75,000
2006	81,395	80,000
2007	77,275	85,000
2008 - 2012	313,498	500,000
2013 - 2017	159,850	645,000
2018	8,912	155,000
Totals	<u>\$ 907,168</u>	<u>\$ 1,680,000</u>

- E) On July 1, 2000, the county entered into a capital lease agreement with the Kentucky Area Development District, on behalf of the Administrative Office of the Courts, for phase one of the Judicial Center Project. These funds were for the purchase of property for the Judicial Center Project. As of June 30, 2002, the principal balance outstanding was \$2,250,000. Debt service requirements for fiscal years ending June 30, 2003, and thereafter are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 118,057	\$ 70,000
2004	114,907	70,000
2005	111,687	75,000
2006	108,237	80,000
2007	104,517	80,000
2008 - 2012	460,802	475,000
2013 - 2017	325,220	605,000
2018 - 2022	137,480	795,000
Totals	<u>\$ 1,480,907</u>	<u>\$ 2,250,000</u>

PERRY COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2002  
(Continued)

Note 8. Commitments and Contingencies

There are several cases pending against the Perry County Fiscal Court. No accrual has been made because the outcome and amount could not be reasonably determined.

Note 9. Insurance

For the fiscal year ended June 30, 2002, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Public Properties Corporation Fund

The Public Properties Corporation Fund cash balance at July 1, 2001, does not agree to the prior year audit ending balance due to omission of \$240,009 of prior year detention center bonds.

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COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,450,152	\$ 1,818,971	\$ (631,181)
Road and Bridge Fund	1,336,600	1,342,893	6,293
Jail Fund	262,847	363,349	100,502
Local Government Economic Assistance Fund	1,794,578	1,828,824	34,246
<u>Special Revenue Fund Type</u>			
E-911 Fund	338,667	380,160	41,493
Forestry Fund	33,757	4,016	(29,741)
Area Development Fund	34,000	49,733	15,733
Perry County Coal Severance Special Projects Fund	1,355,000	1,356,675	1,675
Local Economic Development Fund	4,000,000	4,000,000	
Perry County Emergency Planning Committee Fee Account Fund	1,576	1,576	
Community Development Block Grant Buckhorn Water Project Fund	8,021	8,053	32
Krypton/Yerkes/Willard Water Expansion Project Fund	1,438,130	1,052,129	(386,001)
<u>Debt Service Fund Type</u>			
KREDA Fund	156,640	160,415	3,775
Totals	<u>\$ 13,209,968</u>	<u>\$ 12,366,794</u>	<u>\$ (843,174)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 13,209,968
Add: Budgeted Prior Year Surplus			1,723,323
Less: Other Financing Uses			<u>(792,584)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 14,140,707</u>

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SCHEDULE OF OPERATING REVENUE



PERRY COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2002

Revenue Categories	GOVERNMENTAL FUND TYPES				
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type	Debt Service Fund Type
Taxes	\$ 1,539,054	\$ 1,225,945	\$ 313,109	\$	\$
In Lieu Tax Payments	366	366			
Excess Fees	56,841	56,841			
Licenses and Permits	255,323	253,747	1,576		
Intergovernmental Revenues	10,013,199	3,491,531	6,521,668		
Charges for Services	7,402	7,402			
Miscellaneous Revenues	683,754	278,690	8,025	116,279	280,760
Interest Earned	125,261	39,515	7,964	65,389	12,393
Total Operating Revenue	<u>\$ 12,681,200</u>	<u>\$ 5,354,037</u>	<u>\$ 6,852,342</u>	<u>\$ 181,668</u>	<u>\$ 293,153</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

PERRY COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,015,038	\$ 902,662	\$ 112,376
Protection to Persons and Property	1,028,177	939,393	88,784
General Health and Sanitation	228,340	209,870	18,470
Social Services	20,300	16,178	4,122
Recreation and Culture	278,550	251,777	26,773
Roads	2,009,491	1,923,162	86,329
Debt Service	807	7,087	(6,280)
Capital Projects	18,302	18,301	1
Administration	1,655,577	1,042,965	612,612
 Total Operating Budget - General Fund Type	 \$ 6,254,582	 \$ 5,311,395	 \$ 943,187
Other Financing Uses:			
Capital Lease Payments-			
Voting Machines	24,000	24,000	
GMC Trucks	19,057	19,057	
Ambulances	35,785	35,785	
Caterpillar Backhoe Loader	9,056	9,056	
Transfers to Public Property			
Corporation Fund	430,532	430,532	
Transfers to Jail Construction Fund	113,514	113,514	
 TOTAL BUDGET - GENERAL FUND TYPE	 \$ 6,886,526	 \$ 5,943,339	 \$ 943,187

PERRY COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2002  
 (Continued)

SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 13,331	\$ 11,677	\$ 1,654
Protection to Persons and Property	344,420	328,270	16,150
General Health and Sanitation	3,426,757	2,954,907	471,850
Social Services	5,000	5,000	
Capital Projects	4,061,757	4,044,074	17,683
Administration	34,860	32,387	2,473
<b>TOTAL BUDGET - SPECIAL REVENUE FUND TYPE</b>	<b>\$ 7,886,125</b>	<b>\$ 7,376,315</b>	<b>\$ 509,810</b>
DEBT SERVICE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Other Financing Uses:			
Capital Lease Payments	\$ 160,640	\$ 160,640	\$
<b>TOTAL BUDGET - DEBT SERVICE FUND TYPE</b>	<b>\$ 160,640</b>	<b>\$ 160,640</b>	<b>\$</b>

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SCHEDULE OF CAPTIAL PROJECT EXPENDITURES



PERRY COUNTY  
SCHEDULE OF CAPITAL PROJECT EXPENDITURES

For The Fiscal Year Ended June 30, 2002

Expenditure Items	Jail Construction Fund	Judicial Center Construction Fund	Totals
Construction	\$ 2,285,680	\$ 992,347	\$ 3,278,027
Securities Fees	48,920		48,920
Financial Security Assurance	76,085		76,085
Bond Council Fees	13,759		13,759
Rating Agency Services	6,000		6,000
Trust Fees	4,500		4,500
Totals	<u>\$ 2,434,944</u>	<u>\$ 992,347</u>	<u>\$ 3,427,291</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

**Report On Compliance And On Internal Control**  
**Over Financial Reporting Based On An Audit Of Financial**  
**Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Perry County, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated February 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Perry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Perry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 13, 2003



REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Denny Ray Noble, Perry County Judge/Executive

Members of the Perry County Fiscal Court

**Report On Compliance With Requirements**  
**Applicable To Each Major Program And On Internal Control**  
**Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Perry County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Perry County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Perry County's management. Our responsibility is to express an opinion on Perry County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Perry County's compliance with those requirements.

In our opinion, Perry County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance

The management of Perry County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Perry County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
February 13, 2003

## FINDINGS AND QUESTIONED COSTS



PERRY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Perry County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Perry County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Perry County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Perry County reported in Part C of this schedule.
7. The program tested as a major program was: U.S. Department for Housing and Urban Development, Community Development Block Grant - Water Extension Project (CFDA #14.228)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Perry County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONCOMPLIANCES

None.

REPORTABLE CONDITIONS

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM  
AUDIT

None.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



PERRY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
 Cash Programs:		
 U.S. Department for Housing and <u>Urban Development</u>		
 Passed-Through State Department for Local Government:		
Community Development Block Grant- Water Extension Project (CFDA #14.228)	M-01053981	\$ 937,500
 <u>U. S. Federal Emergency Management Agency</u>		
 Passed-Through State Department of Military Affairs:		
Disaster and Emergency Assistance Grants- Road Repair (CFDA #83.544)	Not Available	289,582
 <u>U.S. Department of Commerce</u>		
 Passed-Through National Oceanic and Atmospheric Administration:		
Pride Community Grants- (CFDA #11.469)	Not Available	<u>51,806</u>
 Total Cash Expenditures of Federal Awards		 <u><u>\$ 1,278,888</u></u>

PERRY COUNTY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Fiscal Year Ended June 30, 2002

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Perry County, Kentucky and is presented on the modified cash basis of accounting.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

PERRY COUNTY FISCAL COURT

For The Fiscal Year Ended  
June 30, 2002



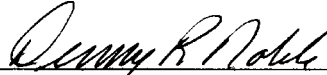
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

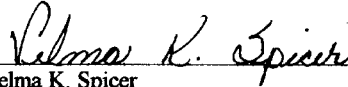
PERRY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2002

The Perry County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program and Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Denny R. Noble  
County Judge/Executive



Velma K. Spicer  
County Treasurer